



CAB evidence briefing

July 2006

Out of pocket

CAB evidence on the impact of fee-charging cash machines

Summary

Most people in the UK use automatic teller machines (ATMs) to access their cash. Over the last seven years the number of ATMs which charge a fee to access money has grown from very few to over 40 per cent of total UK cash machines. Our research found that:

- in some areas people have no choice but to use a fee charging cash machine, particularly in rural or urban deprived areas where small bank branches may have closed. Our online survey found that 20 per cent of people use a fee charging cash machine at least once a week
- some places such as hospitals and universities have become 'fee charging hotspots' where people have no choice but to incur a fee to access their money
- despite commitments about clear signage in the LINK code of compliance, signage of fee-charging ATMs needs to be improved. In our online survey, 73 per cent of people said that additional signage would enable them to make a more informed decision about using a fee charging ATM
- the impact of having to use a fee-charging cash machine is most acute for people in receipt of state benefits whose income is now paid into bank accounts. Even a £1.50 charge can represent a large part of their weekly income.

This briefing includes recommendations to a range of stakeholders, including government departments, LINK, the Post Office and banks.

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Introduction

ATMs are the main way people access their money today. They are reliable and efficient, and give people access to their money 24 hours a day. Some 84 per cent of adults use cash machines to withdraw their money, and this figure is increasing; a recent Royal Bank of Scotland (RBS) Annual Report stated that "ATM cash machine withdrawals for 2005 rose by 13 per cent".¹ LINK provides the UK's national cash machine (ATM) interchange network. Almost all cash machines in the UK are part of the LINK network, which operates as a membership network of 51 organisations including banks, building societies and other operators.

In 1999 virtually all cash machines in the UK were free. However, by 2006 over 40 per cent of the 58,000 ATMs charged a fee. Whilst LINK statistics show that 96 per cent of all withdrawals are free, it is predicted that fee-charging machines will out number free machines by October 2007. The predominant growth in ATM deployment in 2005 was in the fee-charging sector, where 2,969 fee-charging machines were installed compared to only 44 free machines.²

A recent online survey conducted jointly by Citizens Advice, Citizens Advice Scotland and Citizens Advice in Northern Ireland found that 25 per cent of respondents used a charging machine once a week or more. The Nationwide Building Society has calculated that consumers will pay £250 million at fee charging machines to access their money in 2006.³ However, 93 per cent of people told us they feel that cash machines should be free.⁴

Fee-charging cash machine providers argue that their machines plug gaps in free ATM provision and consequently, if their machines were not available some people would not be

able to withdraw cash at all. However, fee-charging machines seem to be replacing free machines in some areas. A number of the high street banks have sold some of their non-branch machines to fee-charging machine operators. HBOS has sold 816 machines to Cardpoint and Abbey has sold 50 machines to Moneybox.⁵

Concern amongst policy-makers and practitioners about the growth in fee-charging ATMs and their impact has become increasingly significant in light of the government's introduction of direct payment of benefits into bank accounts for virtually all benefit claimants. The implication is that people on low incomes or on benefits may be more likely to be affected if they have no choice but to use a machine that charges a fee. Individuals in receipt of benefits or on low incomes find it difficult to absorb the cost of making a withdrawal, which is on average £1.50, particularly if they withdraw small amounts of cash at one time. A quarter of all withdrawals from fee-charging machines are for £20 or less.⁶

The issue of charging cash machines has been under review by the Treasury Select Committee for some time; it conducted an inquiry into cash machines in December 2004 and has recently returned to the issue in the context of its inquiry into financial inclusion. Interest extends beyond the Treasury Select Committee; MPs have recognised it as an issue that is of critical importance to many of their constituents and an Early Day Motion (EDM), which expressed concern at the spread of charging cash machines, was laid in the House of Commons in summer 2005.⁷ More recently another EDM, supported by Citizens Advice was laid condemning 'the fees levied by a rapidly growing number of cash machine operators who charge bank customers to access their own money'.⁸

¹ Royal Bank of Scotland Annual Report 2005.

² www.link.co.uk

³ *Withdrawing your money is big business*, Nationwide Building Society press release, 12 December 2005.

⁴ Citizens Advice online survey, March 2006.

⁵ *Westminster News*, A briefing from Rt Hon John McFall, MP for West Dunbartonshire, April 2006, page11.

⁶ *Special cash machine report*, Nationwide Building Society, November 2005.

⁷ The EDM was signed by 144 MPs.

⁸ EDM 1125 tabled on 28 November 2005. To date 93 Members have supported the Motion.

The momentum generated by parliamentary activity culminated in the former Economic Secretary to the Treasury, Ivan Lewis MP, chairing a cash machine summit in May 2006. It brought together consumer groups, banks and fee-charging ATM providers to examine some of the issues raised by the Treasury Select Committee. The summit established a cash machine taskforce to be chaired by John McFall MP, which will examine issues including the impact of fee-charging ATMs on poorer communities and the transparency of warning signs attached to fee-charging machines.

In the current atmosphere of concern about and interest in fee-charging ATMs, Citizens Advice, Citizens Advice Scotland and Citizens Advice in Northern Ireland launched their own investigation into access to free ATMs. This report is based on the findings from the investigation, which included a survey by bureaux in England, Wales, Scotland and Northern Ireland of free and fee-charging ATMs and an online survey, which yielded 7,500 responses from the general public.⁹ We have also drawn on evidence submitted by bureaux over a longer period of time.

The report examines the main findings, and specifically looks at the issues of choice and ATM signage. However, both the bureaux and online surveys uncovered other issues, including the emergence of 'charging hotspots' like hospitals and university campuses.

CAB service action

In March 2006 the CAB service ran a month long campaign with bureaux in England, Wales, Scotland and Northern Ireland to survey the prevalence and impact of fee-charging ATMs. The campaign was prompted in part by a Citizens Advice and Citizens Advice Scotland online survey conducted in January 2006 where 40 per cent of people who had used a fee-charging cash machine said they were not sufficiently warned of the charge in advance.

Bureaux in England, Wales, Scotland and Northern Ireland were asked to identify both free and fee-charging ATMs in their local area in an attempt to map 'free ATM deserts'. They were asked to evaluate the quality of the signs on ATM machines, to verify compliance with LINK rules and to gauge the wider public reaction to fee-charging ATMs. Clients attending bureaux in England, Wales, Scotland and Northern Ireland were also invited to fill in a card detailing their experiences with fee-charging ATMs.

Bureaux were also encouraged to write to their local MPs, MSPs and Welsh Assembly members, as well as the chief executive of LINK, highlighting their concerns with fee-charging ATMs and the impact that the lack of access to free cash machines has on their clients.

The findings are taken from the responses of 7,500 people who completed the survey on Adviceguide, the Citizens Advice website and the Citizens Advice Scotland website and from the 92 bureaux that surveyed a total of 265 free and fee-charging ATMs in March 2006.

Main findings

It is argued that fee-charging ATMs provide a convenience service by offering a service where free ATM operators do not find it economic to do so. The CAB service accepts that in some areas this is the case, particularly rural areas that have lost access to banking services or never had such services. However, our evidence suggests that there are four key issues of concern with fee-charging machines:

- Some people do not have a choice when it comes to using fee-charging ATMs.
- The emergence of 'fee-charging hot-spots'.
- When using a fee-charging ATM people are not well enough informed that they will be charged for the transaction or what it will be.

⁹ The online survey was on www.adviceguide.org.uk for the duration of March 2006.

- The impact of having to use a fee-charging cash machine on a regular basis.

Choice

Our evidence shows that there are growing numbers of 'free ATM deserts' – areas where there are no free ATMs. Whilst fee-charging ATMs can fill gaps in provision, our evidence indicates that they can dominate in rural and disadvantaged urban areas. Our online survey found that 20 per cent of people use a fee charging cash machine at least once a week.

The mapping exercise and the online survey revealed a number of areas from all parts of the UK that were completely lacking a free ATM.¹⁰ These included:

Chapeltown, Leeds

In Chapeltown there are 10 fee-charging machines but no free cash machine access. The local Post Office closed in 2004 and has not been replaced.

According to the Government's *Indices of Deprivation*¹¹, Chapeltown is one of the most deprived areas in Britain:

- Just under a third of people are income deprived.
- One in five women aged 18-59 and men aged 18-64 are employment deprived.
- Just under a third of older people are income deprived.
- Just under a half of children live in families that are income deprived.

People in Chapeltown are less likely to have the means to absorb the impact of paying to withdraw their money. The impact of the lack of free machines can be seen in an example highlighted by Chapeltown CAB:

An elderly lady has to get a bus to get her money out at a free cash machine. She says she is anxious about getting too much out at a time as she doesn't want to risk it getting stolen, therefore she makes the journey two or three times a week. Some of her benefits get paid directly into a bank account and she cannot get access to these without getting charged or by making a bus journey.

Environ of St Austell, Cornwall

In the 17 villages within a six mile radius of St Austell, all but one have fee-charging cash machines and there are no free machines. It has been designated an area of deprivation following the closure of the tin mines.¹² People living in the outlying villages have no choice but to travel to St Austell or Truro in order to access free cash machines and this means that they incur the cost of public transport or parking. The infrequency of public transport in rural areas can be a further problem for those trying to access free cash machines.

Pollards Hill, South West London

Pollards Hill has one free cash machine, however, it is some distance from the main centre and therefore is not easily accessible by older people or those with disabilities. There are four other machines, which are fee-charging and closer to the main centre. Pollards Hill has a high proportion of pensioners and lone parents in receipt of benefits.¹³ In order to access other free cash machines, people need to use local bus services or other forms of transport.

Muirhouse and Drylaw, Edinburgh

There are no free ATM machines located in either the Muirhouse or Drylaw areas of north Edinburgh. The Muirhouse/Drylaw ward is the 34th most deprived ward in Scotland (out of a

10 A full list of the free ATM deserts identified during the campaign can be found in Appendix 2.

11 Office of the Deputy Prime Minister (ODPM), now known as Department for Communities and Local Government (DCLG), *Indices of Deprivation*, 2004.

12 ODPM, *Indices of Deprivation*, 2004.

13 Ibid, footnote 10.

total of 1,222 wards), taking into account a number of factors such as the local economy, access to services, education and health.¹⁴ It is also the second most deprived ward in the city of Edinburgh (out of a total of 58 wards), with higher than average levels of unemployment and poor health¹⁵. Muirhouse and Drylaw were part of the North Edinburgh Social Inclusion Partnership, an area identified by the Scottish Executive as being in particular need of planned interventions to break the cycle of poverty, disadvantage and exclusion.

St Osyth and Jaywick, Essex

St Osyth and Jaywick in Essex are both rural communities with a high proportion of pensioners. Neither community currently has a free ATM. St Osyth is supported with eight charging machines sited at local stores. Charges there vary between £1.50 and £2.00.

Jaywick has to rely on three charging machines. Both towns are about six miles from the nearest town (Clacton-on-Sea) with free ATM provision and both are in severely deprived areas as defined by the former ODPM's *Indices of Deprivation*.

East Malling, Kent

East Malling is one of the most deprived boroughs in Tonbridge and Malling with very poor public transport links. There is a sub Post Office in the One Stop shop on the Watermeadow Estate, which is a large area of mixed private (right to buy) and social housing.

The impact of the lack of free cash machines can be seen in two examples highlighted by Tonbridge CAB.

One client is forced to pay an additional £1.25 from her benefit income each time she withdraws the £20 she needs each week for her incidental expenses from the ATM in the local shop.

A lone parent client in receipt of benefits withdraws £10 to £20 every few weeks from her local supermarket in South Tonbridge. She is unable to travel into the centre of town to a free machine because of lack of public transport and the distance she would need to cover on foot whilst pushing her two children in their buggy. If the free LINK network was available at the sub-Post Office in the same road, she would avoid this charge.

Cynon Valley, South Wales

The Cynon Valley in South Wales lacks free cash machines, with people having to travel significant distances in order to gain access to free ATMs. The Cynon Valley is, according to the *Welsh Index of Multiple Deprivation* one of the most deprived areas in Wales.¹⁶ As a result people may not have the funds to travel to a free ATM and may find their already limited income reduced by using fee-charging machines.

"I live in a small village in the Cynon Valley. The nearest free cash machines to us are over 12-14 miles away. The old and people on benefit are forced to withdraw their money out from the only cash machine in our Post Office, which is a charging one. I think it's disgraceful, as that £1.50 charge can mean extra heating, food or other necessity to all of us. All cash machines should be free. To catch a bus from our village to a free cash machine costs us £3.50 return. It's a rip off for the elderly and people on benefit, as they have no choice."

Source: Citizens Advice online survey

Hightown, Sefton, Merseyside

Hightown in the Sefton district of Liverpool has no free cash machines. The local Post Office has a fee-charging machine, and there are two other charging machines within a mile radius. Sefton has been identified in the

¹⁴ Scottish Indices of Deprivation, Social Disadvantage Research Centre Department of Social Policy and Social Work, University of Oxford, 2003.

¹⁵ Edinburgh's Census, City of Edinburgh Council, 2001.

¹⁶ Index of Multiple Deprivation, Statistics for Wales, 2000.

ODPM's *Indices of Deprivation* as having one of the most severe levels of deprivation in north west England.

Lozells, Birmingham

The Lozells area of Birmingham has 10 fee-charging machines and no free machines. This is an area where unemployment is above the city average at 45.6 per cent and 19 per cent of the population have a limiting long term illness.¹⁷

Our evidence on the lack of access and choice shows there is a disproportionate impact upon more vulnerable people in both rural or urban deprived areas. These areas are also more likely to suffer from considerable deprivation, meaning that the local population are the least able to absorb the cost of withdrawing their benefits or wages from fee-charging cash machines. It also disproportionately impacts upon older or physically disabled people who have to opt for a fee-charging machine because it may be closer to them and they are unable to travel the often considerable, distances to a free machine.

Charging hotspots

Our research also found that some locations are becoming 'charging hotspots'. Charging hotspots are areas where people are vulnerable and have no other way of withdrawing money without incurring a fee. Hospitals are just one example of locations that might only have fee-charging ATMs. Patients particularly will have little option but to use onsite ATMs if they need to purchase toiletries, reading material or refreshments. For visitors, the use of fee-charging ATMs can compound the cost of visiting such as parking fees or refreshments.

"I think that it is terrible that you have to pay to use a cash machine in the hospital. I have had to use the machine many times when I have had to go to hospital in an emergency. This is because

they insist that you must pay for parking even if you are attending A&E. I rarely carry cash so I have to withdraw £10 and get charged £1.75 then go and buy something from the shop so I change the £10 note, all this just to pay £1.50 car park charges. It's a total rip off."

Source: Citizens Advice online survey

A CAB in Dorset reported that patients and visitors to the local hospital had no option but to access their money via a fee-charging cash machine there. The ATM charged £1.85 per withdrawal – a particular problem for patients who could not go elsewhere.

University campuses are also areas where the dominance of fee-charging machines seems to be increasing. There are reports that some campuses only have fee-charging ATMs, leaving students with very little choice but to withdraw cash from these machines. Given the increasing indebtedness of young people and particularly students, it would be more appropriate if students were offered a choice.

"I am currently at university and we have two ATMs on campus, both of which charge £1.25 for each transaction. Students have to walk the 15-20 minute trek in to the town centre to get to a free cash machine so out of ease many use the campus ATM and are finding themselves in financial difficulty as frequent use ends up costing them a lot of money."

Source: Citizens Advice online survey

Signage

A key objective of the survey was to evaluate signage on fee-charging cash machines to establish whether there were warning signs as stipulated by the LINK network. We also wanted to find out whether people considered that the signs provided an

appropriate amount of information for consumers and if not whether they could be improved. Our online survey found that 73 per cent of people said that additional signage would enable them to make a more informed decision.

The LINK network has a clear code of compliance, which was revised in July 2005 following recommendations from the Treasury Select Committee. The code requires fee-charging ATMs to do the following:

- fee-charging ATMs should carry an on-screen message stating that the machine will charge for cash withdrawals and specifying the amount of the charge
- all surcharging ATMs have to confirm the customer's acceptance of the specific charge and offer the customer the option to cancel the transaction without incurring a penalty
- all surcharging ATMs have to carry external signage stating that the machine will charge for cash withdrawals. The sign must be within the normal eye line close to the ATM screen and must use a font size that is consistent with that used for similar information; at least 14 point and of a contrasting colour to the background.
- when LINK members provide signage pointing towards surcharging ATMs, they should carry a warning that the machine will charge. The colour and background should be such that the message is visible to anyone reading the sign.

However, findings from the survey indicate that this is an area for improvement. Almost everyone (99 per cent) was aware that there are fee-charging ATMs, however, 46 per cent of people said that they were not sufficiently warned in advance that they would be charged for a cash withdrawal.

Worryingly the bureaux survey revealed that a significant proportion of ATMs were not complying with the LINK code:

- forty one per cent of fee-charging machines did not have an external sign saying they were fee-charging
- eleven per cent of fee-charging cash machines did not have an on-screen warning.

We have reported the instances of non-compliance to LINK.

Bureaux also reported examples of poor signage. Twenty three per cent of fee-charging cash machines surveyed had poor external signage. For example:

The sign on front of machine says 'free balance enquiry' implying all services free. A similar large clear sign which states that the machine charges for cash withdrawals and the rate of charge is needed, especially as the machine is located in a student café.

Winchester CAB

The sign is tucked away on the machine itself which is in a pokey crowded corner of the garage shop. Although the sign/notice is clear when you see it (if you were in a hurry you might miss it), a larger notice could really draw your attention to it.

Lymington CAB

The surveys revealed particular problems for people who are wheelchair users or who are partially sighted:

The warning sign was at the side of the machine about half-way down. It wasn't suitable as you had to bend to see it.

Ballymena CAB

The sign is partially hidden. Visually impaired people and wheelchair users might have trouble seeing it.

Winchester CAB

Bureaux also highlighted the lack of clarity of the wording LINK members are required to put on external signage:

The sign says, 'this machine will charge for LINK cash withdrawals', but it is not clear what a LINK cash withdrawal is.

Winchester CAB

Eight per cent of fee-charging cash machines had a poor on-screen warning:

The on-screen message had small writing, easily skim read or ignored.

Hastings CAB

The display has poor colour contrast and would be easy to miss.

Dorchester CAB

It could be improved by putting the message across the middle of the screen. It's at the wrong height. Even I had to lean over to read it all (a lip juts out and covers part of the message).

Wyre District CAB

The information about the charge was too late. The screen was dim – very difficult to see.

Kilburn CAB

The online survey revealed that some people felt when they withdrew cash from a fee-charging machine they were not adequately warned that they would be incurring a fee. Furthermore recent research from LINK shows that people are sometimes still unclear about warnings on fee-charging cash machines. The research stated that "some users fail to notice all three or more warnings that are required by LINK rules".¹⁸ There should be no room for confusion. Even if ATMs are complying with LINK guidance but people are missing three or more warnings, it is clear to us that the signage needs to be improved. This may involve improving the prominence,

presentation, including the point in the transaction when information is given to the user, and the language used.

Our evidence also points to the fact that in some instances even if people were warned that there was to be a charge they were not specifically informed about how much they would pay.

"I recently withdrew cash from a fee-charging machine. I didn't see any warnings on screen about charges, only a message telling me to press a button to confirm the transaction. It was only afterwards I noticed that next to the screen was a (small – 10-12 point font) message saying, 'this machine will charge for withdrawals'. I've definitely seen messages, similar in looks and size to this, saying 'this machine will not charge for withdrawals', so I believe this to be pretty underhanded and would like much clearer and larger messages. The most annoying thing was that there was a free machine literally around the corner so there was no need for this charging machine."

Source: Citizens Advice online survey

"I know of two bank-branded cash machines that charge for withdrawals. No signs are displayed on or near the machines. You do get a warning on the screen that you will be charged. When you cancel the transaction, you find that the money has already been taken from your account and then you get a refund shortly afterwards."

Source: Citizens Advice online survey

These examples highlight the need for improved signage beyond the current LINK guidelines. ATM signage needs to be clear for all users. It must particularly meet the needs of the visually impaired and other vulnerable clients, as they are more likely to be disadvantaged by poor quality signage.

The impact of fee-charging ATMs

There is an increasing need for people to be able to access cash. The use of cheques is steadily falling¹⁹ and most day-to-day transactions are now done in cash. Cash withdrawals have increased significantly from 1,834 million in 2002 to 2,481 million in 2005.²⁰ However, at the same time as people's reliance on cash withdrawals is increasing, the bank network and provision of free ATMs has been contracting. Banks' cost-cutting measures have brought about a significant reduction in the number of bank branches, with 6,000 having closed since 1990. The impact of these widespread closures has been felt particularly acutely in rural areas, with some 1,000 rural communities left bankless and potentially with limited or no access to a free cash machine.²¹

"We live in a village with poor transport links. The local bank is closing the village branch – despite saying it wouldn't. If the Post Office goes – always a possibility, the nearest free cash machine is about four miles away. Even if you can drive there you now have to pay to park so another charge!"

Citizens Advice online survey

A CAB in South West Wales saw an elderly client in poor health. His benefits are now paid into a bank account however he can only access his cash at an ATM which charges £1.50 for cash withdrawals. In order to access a free ATM he would have no choice but to travel to the next town but this would cause him to pay a bus fare.

In the aftermath of bank branch closures, Post Offices are often the only remaining option for people needing to get access to their benefit or other income. Despite the closure

of some of its branches, the Post Office retains much of its extensive network with 14,376 Post Office branches in the UK (as at end March 2006), 7,854 of which are situated in rural areas. People with basic bank accounts or certain current accounts are able to access their cash for free over the Post Office counter.

However, approximately 60 per cent of current account holders are not able to do so and have to rely on other means, such as ATMs. There are around 2,500 ATMs across the Post Office network, 28 per cent are free and 72 per cent are fee-charging. Fee-charging ATMs in Post Offices may plug a gap in provision, but they are doing so at a cost to people who may have no other choice but to pay to access their money.²²

A CAB in Kent saw a client who lives in a village just outside Sevenoaks. She has three children and is pregnant. The client has a severe debt problem and she cannot manage to get into town to go to the bank so she has to use the ATM at the Post Office, which charges £1.50 per transaction. Because of her debt problem she only withdraws £10/£20 a time.

A CAB in Nottinghamshire reported that their local Post Office have decided to charge £1.50 per withdrawal at an ATM based on the premises. There was previously no charge on the machine. The introduction of a charge means that some people will have to travel at least three miles to access a free ATM.

All these factors taken together have meant that there is more reliance on ATMs as a source of cash. However, for some groups of people the growth in the fee-charging sector of the network may be having a detrimental impact.

¹⁹ On average each adult made 1.9 cheque payments per month in 2004 compared with 4.3 in 1991, www.apacs.org.uk

²⁰ LINK statistics, www.link.co.uk

²¹ Banks reject solution to branch closures, Campaign for Community Banking Services, 9 May 2005.

²² National Federation of Sub Postmasters Briefing Note on ATMs, April 2006.

A MORI survey found that CAB clients are more likely to fall within the C2DE social classes, have a long-term illness or disability, or live in social housing.²³ They are, on the whole, the more vulnerable members in society. They are therefore more likely to be disadvantaged by fee-charging ATMs in that they are unable to travel the distances to free cash machines and they cannot afford to absorb the cost of paying to withdraw their cash, whether this is 90p or £3 per transaction, as our bureau survey found. As the normal method of payment of state benefits is into a bank account, benefit claimants increasingly have to use fee-charging ATMs:

A CAB in Derbyshire saw a client who lives in a small village. Her incapacity benefit is paid into a savings account. There are only two cash machines in the village; one charges £1.50 for each withdrawal, the other £1.30. As a result the client has to pay to withdraw her benefit income. The client is already living on a very low income and this is further reduced by these charges.

A CAB in the north of Scotland reported seeing a female client who came to the bureau seeking help with a variety of consumer and utility debts. She and her partner reported that they were finding it a struggle to balance their incomings and outgoings. They make cash withdrawals from ATMs several times a week but, because they rely on rural public transport, it is not always possible for them to withdraw money from the free cash machines situated in the bank branches of the nearest town. In one month the client and her partner incurred £13.50 in ATM charges, exacerbating their existing financial hardship.

A recent sampling exercise undertaken by LINK showed the impact on residents in local communities where the conversion of 200

machines from free to fee-charging took place in 2005²⁴:

- For 25 per cent the nearest free cash machine was over one kilometre away.
- For 15 per cent the nearest free cash machine was over two kilometres away.
- Approximately 13 per cent lived in post codes where the Treasury considers there to be concentrated financial exclusion.

Participants in the online survey illustrated the impact that the lack of free ATMs has on their day-to-day lives. Their comments reflect the fact that it is a significant issue for both people living in rural and urban deprived areas:

"I live in one of the poorer London Boroughs and the nearest free cash point to my house is a 20 minute walk away. There are four fee-charging cash machines within five minutes walk (in local shops). This situation forces people to withdraw cash using charging machines if they have not got the time, or are not physically capable of reaching the free ones. The practice of charging particularly penalises poor people without access to their own transport."

Source: Citizens Advice online survey

"I don't get paid very much as I work in a private nursing home. I don't drive and the only way of getting cash out is by a cash machine that charges you £1.75 every time you use it. There are a lot of people like me in the village that have no way of getting to a 'no fee' cash machine. We used to have two banks in the village but they have been closed. If we could just have a proper machine in the village by the shops that would be great."

Source: Citizens Advice online survey

²³ Unmet demand for Citizens Advice Bureaux, Research Study conducted for Citizens Advice by MORI, 2003/2004.

²⁴ Ibid, page12.

"I now have to travel six miles to [the] nearest free machine since my nearest branch recently closed. Still not prepared to pay to get my own money."

Source: Citizens Advice online survey

"I live in a small village with only one cash machine (which is charged). It makes life very difficult as the Post Office will not accept cards but we are charged £1.50 to make a withdrawal. Unless you are taking out huge amounts of money then this is really too high. In the end the only people to lose out are people on low incomes who don't drive or cannot afford the petrol expense to drive to the free cash point in the nearest town (eight miles)."

Source: Citizens Advice online survey

Of course, cashback²⁵ is an alternative to using a fee-charging ATM, however it is not a solution for everyone. Basic bank account holders, the people who are most likely to feel the impact of fee-charging ATMs, may not be issued with a debit card that enables the cashback facility. Only two of the seventeen basic bank accounts listed in the Financial Services Authority's (FSA) leaflet on basic banking provide debit cards.²⁶

Recommendations and conclusion

These findings show that free ATM deserts do exist and are predominantly situated in deprived areas. What is striking about the majority of the free ATM deserts we have identified is that there will often be several fee-charging machines competing with each other. This indicates that there may be potential for a free cash machine to be viable in that area.

To address the issues we have raised in this report, we have recommendations for LINK, banks, central and local government, the cash machine taskforce and the Post Office network.

Recommendations to the LINK network

Although LINK's code of practice has clear commitments in relation to signage, the survey has shown that there is much confusion around which ATMs are free and which charge a fee. It is clear that people would welcome it if signs could state, 'No charge for ATM withdrawals here'. We see no reason why free ATM providers should not wish to advertise this. Some free ATM providers, like Nationwide Building Society, have already adopted this approach and we recommend that this is replicated across the free ATM network. This commitment must also be part of LINK's code of practice, and the Banking Code.

The Treasury Select Committee addressed signing of fee-charging cash machines in its 2005 report and in light of this LINK has made moves to improve signage on fee-charging ATMs. The CAB service welcomes these changes, however, our survey has shown that signs are still confusing and not effective. Our survey has shown that 41 per cent of the fee-charging machines did not have a sign saying they were fee-charging and 11 per cent of fee-charging cash machines did not have an on-screen warning.

The CAB service recommends that LINK should review its code in relation to signage to address the following issues:

- Improving consumers' understanding that a fee will be charged for a cash withdrawal. It is unclear whether all people understand the meaning of the phrase 'LINK cash withdrawals'.

²⁵ Cashback is a facility that is offered by some retailers on certain types of debit cards and provides consumers with access to their cash when they purchase goods like food.

²⁶ Basic bank accounts your questions answered, FSA, October 2005.

- The size and position of warnings on external and on-screen signage. The CAB service considers that signage, whether free or fee-charging, should be clearly seen from 10 paces.
- Colour contrasts and font size of both external and on-screen warnings.

LINK should work with the Disability Rights Commission (DRC), Royal National Institute for the Blind (RNIB) and the Plain English Campaign to develop better standards for signage.

Enabling all bank customers to withdraw their money from Post Offices free of charge would provide greater convenience for bank customers and also further the government's financial inclusion agenda. We recommend that all current account holders should be able to withdraw cash over the counter at Post Offices. This could be achieved either by Post Office Limited becoming a member of LINK or by individual banks reaching agreement with Post Office Limited to make their current accounts accessible at Post Office counters.

The CAB service appreciates moves by some members of the banking community to extend their network of free ATMs. We warmly welcome the decision of HSBC to roll out 500 new free ATMs and to work with the CAB service in identifying areas of poor free ATM provision and consider giving priority to some of these areas. We would welcome working with other free ATM providers in assisting them site free ATMs in areas which currently lack provision. The CAB service believes that LINK could assist with this work by setting up a 'free ATM desert' register for local groups working with disadvantaged groups to record areas where a free cash machine is needed. Banks wishing to plug gaps in provision of free ATMs could then use the register to identify appropriate areas.

Recommendations to the banking community

The CAB service would like to reiterate its support for the continuing provision of free cash machines by the banking community. We believe it is essential to the success of the Government's financial inclusion agenda that there is continued and expanded provision of free cash withdrawals. We therefore challenge the banks to make a public commitment, initiated by Nationwide Building Society, not to sell off their free cash machines or only to do so after careful assessment of the impact of this in terms of consumer detriment.

The Banking Code, which sets out minimum standards of service which banks have to comply with, stipulates that banks should inform their customers when they close the last bank branch within a one mile radius in towns and a four mile radius in the rural areas. We support the recommendations in the Treasury Select Committee report on cash machine charges to ensure that in the forthcoming review of the Banking Code similar requirements should be introduced when removing the last free cash machine within a specified distance.

Recommendations to the Department for Work and Pensions

As the normal method of payment of state benefits is by direct payment into a bank account, the Department for Work and Pensions (DWP) should have an obligation to make sure that benefit recipients are able to access their benefit without incurring a charge. This is even more pressing in the light of the recent announcement that the only account which cannot be accessed via an ATM, the Post Office card account (POCA), will become obsolete in 2010. Over 3.4 million people currently have their benefits paid into a POCA. Consequently over the next few years, more people will need to open and use a bank account to continue to receive their benefit entitlement.

If no action is taken to tackle the 'free ATM deserts' that we have identified, then more people on low incomes will have to pay to access their benefit. **We recommend that the DWP works with local authorities and the banks to encourage them to site free ATMs on local authority property, including town halls and housing offices.**

The DWP also has a role to inform benefit claimants of the different ways in which they can access their benefit entitlement. This will be particularly important when the DWP starts to contact the 4.5 million POCA holders about opening a bank account for receipt of their benefits. **We recommend that the DWP includes information about free and fee-charging ATMs in any leaflets or letter sent to POCA holders about opening a bank account.**

Recommendations to the Department for Communities and Local Government, the Scottish Executive and the Welsh Assembly Government

The DCLG has responsibility for planning. However, DCLG should also play a role in the joined up delivery of financial inclusion across government departments and with local government.

DCLG already maps indices of deprivation in England, and the Scottish Executive and Welsh Assembly Government undertake similar work in Scotland and Wales. Our research suggests that free ATM deserts are often situated in deprived areas. **The CAB service recommends that DCLG, the Scottish Executive and the Welsh Assembly Government map the location of fee-charging ATMs alongside areas of deprivation and establish the ease of access to free ATMs.**

In round eight of the Beacon Scheme administered by the DCLG, local authorities are encouraged to apply for an award for best practice on promoting financial inclusion and

tackling over-indebtedness. Similarly, one of the Scottish Executive's six 'Closing the Opportunity Gap' objectives is to reduce the vulnerability of low income families to financial exclusion and multiple debts. **The CAB service recommends that DCLG, the Scottish Executive and the Welsh Assembly Government work with local authorities to encourage them to secure the siting of free machines on council property which is frequently used by the public and in doing so aim to meet objectives on financial inclusion.**

Citizens Advice Cymru has been working to gather support for a statement of opinion²⁷ at the National Assembly for Wales calling for responsible practices by Local Planning Authorities in giving planning permission for fee-charging ATMs. **We recommend that the Welsh Assembly Government acknowledges the statement of opinion and enters into discussions with the Welsh Local Government Association on this issue.**

Recommendations to local government

Local authorities are responsible for local planning decisions and policy. They have a role to play in ensuring that there is access to free ATMs for their local communities. **The CAB service recommends that local authorities should develop and implement rules to ensure that there is reasonable access to free ATMs for their local community when granting planning permission.**

The DCLG is currently encouraging local authorities in England to apply for Beacon Status on a number of themes, including promoting financial inclusion and tackling overindebtedness.²⁷ This scheme is intended to help local authorities learn from best practice within the sector, and an award results in funding to help that local authority communicate its best practice to others. The criteria for the financial inclusion theme include providing leadership in their

communities on tackling overindebtedness and financial inclusion; providing information to financially excluded or overindebted individuals and working in effective and innovative partnerships to tackle these problems. There is no mention of access to ATMs which do not charge a fee. **The CAB service expects that local authorities which are designated as Beacons on promoting financial inclusion and tackling overindebtedness should develop initiatives to identify and tackle free ATM deserts in their communities.**

Recommendations to the cash machine taskforce

Our survey has highlighted several areas of concern including the growth of charging hotspots in hospitals and on university campuses. **The CAB service recommends that the recently established cash machine taskforce monitors the growth of these hotspots and secondly that they work with hospital trusts and universities to encourage the siting of free ATMs alongside fee-charging ones.** In our opinion, 'public' sites such as hospitals, universities, train stations, underground stations, bus stations and others should have an obligation to alert free ATM providers to the availability of sites in the first instance. Only if free providers are unwilling to install an ATM should they then be able to offer the site to charging ATM providers.

We understand that one of the most difficult factors for banks to install free cash machines is finding suitable locations. We consider that local authority offices could be good locations for free ATMs, particularly if they are in high street locations. **The CAB service recommends that the taskforce work with DCLG to encourage local authorities and banks to encourage them to site free cash machine on council owned property.**

Our research has shown that there is a significant range in level of charging across the network, from 90p to £3.00. We would like to know why there is such variation in the fees charged by fee-charging cash machine operators, when the basic transaction charge is around 30p. **The CAB service recommends that the taskforce should undertake an investigation into the costs involved in operating fee-charging machines to ensure complete transparency.**

Recommendations to Post Office Limited

The CAB service welcomes the recent announcement that Post Office Limited will be rolling out 1,500 free ATMs to its network. We urge them to carry this out as quickly as possible, with particular priority given to the siting of free ATMs in deprived areas or areas where there are no other free ATMs.

In Post Offices where fee-charging ATMs remain, **the CAB service recommends that all fee-charging ATMs are accompanied by a prominent and permanent sign stating that people with basic bank accounts and certain current accounts can access their cash for free over the counter.**

The CAB service welcomes the Post Offices' cap of £1.50 on fee-charging ATMs. However, **we recommend that the Post Office re-examines the level of the charge and seeks to reduce the cost that is passed to the consumer.**

Appendix 1 – Methodology

Citizens Advice Bureaux in England, Wales, Scotland and Northern Ireland were asked to participate in a month long campaign on ATMs in March 2006. The campaign was two-fold; firstly, bureaux were asked to map provision of free and fee-charging ATMs and secondly to evaluate the signage on the fee-charging ATMs.

Furthermore, clients coming to bureaux were asked to fill in cards detailing their usage of fee-charging machines. Each bureau was asked to write to their local MP or Welsh Assembly Member and the chief executive of LINK raising their concerns about fee-charging machines.

Running simultaneously was an online survey on the Citizens Advice website www.adviceguide.org.uk, which tried to gauge public usage and opinion of, fee-charging ATMs.

Ninety two bureaux mapped 265 ATMs in England, Wales, Northern Ireland and Scotland and 7,500 people participated in the online survey.

Appendix 2 – Free ATM deserts identified by Citizens Advice Bureaux during the ATM Watch campaign

East Region

Park Street, AL2
Redbourn, AL2
Sandridge, AL4
East Chesterton, CB4
St Osyth & Jaywick, CO15/16

London Region

Pollards Hill, CR4
Leyton, E10
Clapton & Homerton, E5
Tottenham, N17
Lordship Lane & Broadwater Farm, N22

Midlands Region

Wards End, B8
Upperstoke & Wyken, CV2
Lower Stoke, CV3
Allesley, CV5
Tipton, DY4
Tuxford, NG22
Leverton, PE22

North Region

Chapeltown, LS7
Bowburn, DH6
West Auckland & Woodhouse, DL14
Birkby & Fartown, HD2
Allendale Town & Allenheads, NE47
Ellington & Stannington, NE61
Felton, Longhorsley, Longframlington, Warkworth & Shilbottle, NE65
Alnmouth, Longhoughton, Craster, Whittingham NE66
Lowick, TD15
Fishburn, TS21
The Headland, Hartlepool, TS24
Blackhall Rocks, Eliwick Village, Hart Village, TS27
Trimdon, TS29

Northern Ireland

Braniel, BT5
Ballybeen, BT16
Glen Road, BT12
Glencolin, BT11
Poleglass, BT17

North West Region

Haggate, Hurstwood & Worsthorne, BB10
Hargher Clough, Burnley, BB11
Padiham, Whitegate & Whittlefield, BB12
Upperby & Belle Vue, CA2
Etterby, CA3
Croxteth & Norris Green, L11
Speke, L24
Hightown, L38

Scotland

Ardishaig, PA30
Arrochar, G83
Chapelhal & Coatdyke, ML6
Douglas, ML11
Drylaw & Muirhouse, EH4
Greenhills, G75
Isle of Mull, PA72
Orkney Islands (outside main towns)
Port Ellen,
Sandbank & Ardbeg, PA42
Woodburn, EH22

South East Region

Whitehawk, BN2
The Hartings, Elsted, Trotton, GU29/GU31
East & West Meon, Langrish, GU32
Lindford, GU35
Effingham, KT22
West Molesey, KT8
East Malling, ME19
Ticehurst, TN5
Hadlow, TN5

South West Region

Southmead, BS10
Bishopsworth, BS13
Whitehall, BS5
St Austell, PL25

Wales

Bodedern, Trearddur, Llanfachraeth, LL65
Bontnewydd, L55
Caerau, CF34
Cynon Valley
Deiniolen, LL55
Fairbourne, LL38
Newport, NP19
Penysarn, LL69
Pentraeth, LL75
Reynoldston & Scurlage, SA3
Rhosneigr, LL64
Seven Sisters, SA10

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